

CITY OF CARSON

**INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2011

Table of Contents

	<u>Page</u>
Officials	3
Independent Auditors' Report	4-5
Management's Discussion and Analysis	6-11
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statement:	
Statement of Activities and Net Assets – Cash Basis	A 14-15
Governmental Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B 16-17
Proprietary Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C 18
Notes to Financial Statements	19-29
Required Supplementary Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds	31-32
Notes to Required Supplementary Information – Budgetary Reporting	33
Other Supplementary Information:	<u>Schedule</u>
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1 35
Schedule of Indebtedness	2 36-37
Bond and Note Maturities	3 38-39
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	4 40-41
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	43-44
Schedule of Findings	45-47

City of Carson

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Lyndon Taylor	Mayor	January 2012
Eric Weuve	Mayor Pro-Tem	January 2012
Bruce Damgaard	Council Member	January 2012
Sue Jones	Council Member	January 2014
Charles Strong	Council Member	January 2014
Patrick White	Council Member	January 2014
Brianne Duede	City Clerk	Indefinite
Kristina Hansen	City Treasurer	Indefinite
Richard Heininger	City Attorney	Indefinite



Marilyn Schroer, CPA
Diane McGrain, CPA
Jim Menard, CPA

September 30, 2011

Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Carson, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Carson's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Carson as of June 30, 2011, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Continued...

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Independent Auditors' Report
City of Carson

In accordance with *Government Auditing Standards*, we have also issued our reports dated September 30, 2011 on our consideration of the City of Carson's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 11 and 31 through 33 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Carson's basic financial statements. We previously audited the financial statements for the two years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. The financial statements for the four years ended June 30, 2008 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Schroer & Associates, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Carson, we offer readers of the City of Carson's financial statements this narrative overview and analysis of the financial activities of the City of Carson for the fiscal year ending June 30, 2011. This section should be read in conjunction with the financial statements and the accompanying notes that follow.

2011 Financial Highlights

- Receipts of the City's governmental activities decreased by 10.4%, or approximately \$86,000 from fiscal 2010 to fiscal 2011. Property tax increased approximately \$64,000. Tax increment financing collections decreased approximately \$174,000.
- Disbursements increased .66%, of approximately \$4,500 from 2010 to 2011. Public safety decreased approximately \$17,000, culture and recreation increased approximately \$10,000, community and economic development increased approximately \$151,000, general government increased approximately \$10,000, debt service decreased approximately \$185,000 and capital projects increased approximately \$37,000.
- The City's total cash basis net assets increased by \$42,962 from June 30, 2010 to June 30, 2011. Of this amount, the assets of the governmental activities increased \$72,720, and the assets of the business type activities decreased by \$29,758.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund Financial Statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the non-major governmental funds.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitation resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, and debt service. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include water distribution, the sanitary sewer system, and solid waste removal. These activities are financed primarily by user charges.

Fund Financial Statements

The city has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, and 4) the Capital Projects Fund. The Governmental Fund Financial Statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water, sewer and garbage funds, all considered to be major funds of the City.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased \$72,720 from a year ago. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities		
	Year ended June 30,	
	2011	2010
Receipts:		
Program receipts:		
Charges for service	\$ 40,809	57,368
Operating grants, contributions and restricted interest	131,413	103,914
Capital grants, contributions and restricted interest	-	2,475
General receipts:		
Property tax	217,101	153,294
Tax increment financing	268,517	442,782
Local option sales tax	84,166	71,998
Grants and contributions not restricted to specific purpose	478	868
Unrestricted interest on investments	242	246
Total receipts	746,726	832,945
Disbursements:		
Public safety	125,205	142,444
Public works	74,126	75,846
Culture and recreation	69,682	59,873
Community and economic development	204,974	53,636
General government	53,097	43,519
Debt service	102,441	287,139
Capital projects	44,481	7,087
Total disbursements	674,006	669,544
Change in cash basis net assets	72,720	163,401
Cash basis net assets beginning of year	176,276	12,875
Cash basis net assets end of year	\$ 248,996	176,276

The total receipts for governmental activities decreased \$86,219. The total cost of all programs and services increased by \$4,462. The significant decrease in receipts was due to less tax increment financing collections of \$174,265 from the prior year.

The City property tax collections increased by \$63,807 from the prior year.

The cost of all governmental activities this year was \$674,006 compared to \$669,544 last year. There was a wastewater treatment plant capital project in 2011.

As shown in the statement of Activities and Net Assets, the amount taxpayers ultimately financed for these activities was \$498,784, due to costs paid by those directly benefited from the programs (\$40,809) or by other governments, organizations that subsidized certain programs with grants, contributions and restricted interest (\$134,413).

Changes in Cash Basis Net Assets of Business Type Activities		
	Year ended June 30,	
	2011	2010
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 140,334	121,468
Sewer	161,264	114,165
Garbage	80,943	63,313
Capital grants	49,717	30,695
General receipts:		
Bond and note proceeds	-	82,000
Total receipts	432,258	411,641
Disbursements:		
Water	241,378	257,921
Sewer	163,819	168,874
Garbage	56,819	57,549
Total disbursements	462,016	484,344
Change in cash basis net assets	(29,758)	(72,703)
Cash basis net assets beginning of year	(50,103)	22,600
Cash basis net assets end of year	\$ (79,861)	(50,103)

Total business type activities receipts for the fiscal year were \$432,258 compared to \$411,641 last year. This increase was due to an increase in rates less note proceeds of \$82,000 received in 2010. The cash balance decreased by \$29,758. Total disbursements for the fiscal year decreased \$22,328 primarily due to a water improvement project.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Carson completed the year, its governmental funds reported a combined fund balance of \$248,996, an increase of \$72,720 from last year. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund balance at the end of the year was (\$113,353), an increase of \$29,037 from prior year primarily due to reduced TIF certification, and reduction in general fund expense activities.
- The Road Use Tax Fund balance at the end of the fiscal year was (\$3,825), a decrease of \$2,752.

- The Urban Renewal Tax Increment Fund balance at the end of the fiscal year was \$343,918, an increase of \$33,972 from the previous year. The increase was due to a delay in low and moderate income set aside projects which were not completed until the following year.
- The Debt Service Fund balance was \$65,245, an increase of \$20,304 from the prior year due to transfers from the Urban Renewal Tax Increment Fund.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund balance decreased \$51,327 to \$86,697 due to water tower interior paint expense
- The Sewer Fund balance decreased by \$2,555 to (\$126,293) due to engineering, designing, permitting expenses incurred for the state mandated WWTP Ecoli disinfection project.
- The Garbage Fund balance increased by \$24,124 to (\$40,265) due to the sale of garbage truck equipment and a slight decrease in garbage expenditures.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City budget was amended two times for a total decrease of \$330,905 for receipts, and \$328,142 for disbursements. City receipts were approximately \$130,000 less than budgeted due to delays in capital project activities. After the budget amendments, total disbursements were approximately \$99,000 less than anticipated primarily due to delays in capital project activities.

DEBT ADMINISTRATION

At June 30, 2011, the City had approximately \$1,534,000 in bonds and other long-term debt, compared to approximately \$1,847,000 last year as shown below:

Outstanding Debt at Year End (Expressed in Thousands)		
	Year ended June 30,	
	2011	2010
General obligation notes and bonds	\$ 513	717
Urban renewal tax increment financing bonds	130	185
Revenue bonds	891	945
	<u>\$ 1,534</u>	<u>1,847</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt and TIF debt of \$643,000 is below its constitutional debt limit of approximately \$1,900,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Carson's elected and appointed officials and citizens considered many factors when setting the fiscal year 2011 budget, tax rates, and fees that will be charged for various City activities.

The city utilizes a strategic plan when planning future fiscal responsibilities.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Brianne Duede, City Clerk, 316 South Commercial Street, Carson, Iowa.

City of Carson

City of Carson
Basic Financial Statements

City of Carson
Statement of Activities and Net Assets – Cash Basis
As of and for the year ended June 30, 2011

	Disbursements	Program Receipts	
		Charges for Service	Operating Grants Contributions and Restricted Interest
Functions/Programs:			
Governmental activities:			
Public safety	\$ 125,205	18,931	33,222
Public works	74,126	-	71,374
Culture and recreation	69,682	21,728	14,069
Community and economic development	204,974	-	-
General government	53,097	150	15,748
Debt service	102,441	-	-
Capital projects	44,481	-	-
Total governmental activities	674,006	40,809	134,413
Business type activities:			
Water	241,378	140,334	-
Sewer	163,819	161,264	-
Garbage	56,819	80,943	-
Total business type activities	462,016	382,541	-
Total	\$ 1,136,022	423,350	134,413

General Receipts:

Property tax levied for:
 General purposes
 Debt service
Tax increment financing
Local option sales tax
Grants and contributions not restricted to specific purpose
Unrestricted interest on investments
Total general receipts and transfers

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

Cash Basis Net Assets:

Restricted:
 Expendable:
 Urban renewal purposes
 Debt service
 Other purposes
Unrestricted

Total cash basis net assets

See notes to financial statements.

Capital Grants Contributions and Restricted Interest	Net (Disbursement) Receipts and Changes in Cash Basis Net Assets		
	Governmental Activities	Business Type Activities	Total
-	(73,052)	-	(73,052)
-	(2,752)	-	(2,752)
-	(33,885)	-	(33,885)
-	(204,974)	-	(204,974)
-	(37,199)	-	(37,199)
-	(102,441)	-	(102,441)
-	(44,481)	-	(44,481)
-	(498,784)	-	(498,784)
49,717	-	(51,327)	(51,327)
-	-	(2,555)	(2,555)
-	-	24,124	24,124
49,717	-	(29,758)	(29,758)
49,717	(498,784)	(29,758)	(528,542)
\$	98,356	-	98,356
	118,745	-	118,745
	268,517	-	268,517
	85,166	-	85,166
	478	-	478
	242	-	242
	571,504	-	571,504
	72,720	(29,758)	42,962
	176,276	(50,103)	126,173
\$	248,996	(79,861)	169,135
\$	343,918	-	343,918
	65,245	-	65,245
	20,495	-	20,495
	(180,662)	(79,861)	(260,523)
\$	248,996	(79,861)	169,135

City of Carson
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances - Governmental Funds
As of and for the year ended June 30, 2011

		Special Revenue		
	General	Road Use Tax	Local Option Sales Tax	Urban Renewal Tax Increment
Receipts				
Property tax	\$ 77,278	-	-	-
Tax increment financing collections	-	-	-	268,517
Other city tax	3,554	-	85,166	-
Licenses and permits	776	-	-	-
Use of money and property	7,361	-	-	-
Intergovernmental	17,943	68,174	-	-
Charges for service	32,914	-	-	-
Miscellaneous	39,170	3,200	-	-
Total receipts	<u>178,996</u>	<u>71,374</u>	<u>85,166</u>	<u>268,517</u>
Disbursements				
Operating:				
Public safety	125,205	-	-	-
Public works	-	74,126	-	-
Culture and recreation	69,682	-	-	-
Community and economic development	-	-	-	67,131
General government	36,238	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	<u>231,125</u>	<u>74,126</u>	<u>-</u>	<u>67,131</u>
Excess (deficiency) of receipts over (under) disbursements	(52,129)	(2,752)	85,166	201,386
Other financing sources (uses):				
Operating transfers in	85,166	-	-	-
Operating transfers out	(4,000)	-	(85,166)	(167,414)
Total other financing sources (uses)	<u>81,166</u>	<u>-</u>	<u>(85,166)</u>	<u>(167,414)</u>
Net change in cash balances	29,037	(2,752)	-	33,972
Cash balances beginning of year	<u>(142,390)</u>	<u>(1,073)</u>	<u>-</u>	<u>309,946</u>
Cash balances end of year	\$ <u>(113,353)</u>	<u>(3,825)</u>	<u>-</u>	<u>343,918</u>
Cash Basis Fund Balances				
Restricted for:				
Urban renewal purposes	\$ -	-	-	343,918
Debt service	-	-	-	-
Other purposes	-	-	-	-
Unassigned	<u>(113,353)</u>	<u>(3,825)</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	\$ <u>(113,353)</u>	<u>(3,825)</u>	<u>-</u>	<u>343,918</u>

See notes to financial statements.

Debt Service	Nonmajor	Total
116,087	16,751	210,116
-	-	268,517
2,658	773	92,151
-	-	776
-	-	7,361
-	6,404	92,521
-	-	32,914
-	-	42,370
118,745	23,928	746,726
-	-	125,205
-	-	74,126
-	-	69,682
137,843	-	204,974
-	16,859	53,097
102,441	-	102,441
-	44,481	44,481
240,284	61,340	674,006
(121,539)	(37,412)	72,720
141,843	29,571	256,580
-	-	(256,580)
141,843	29,571	-
20,304	(7,841)	72,720
44,941	(35,148)	176,276
65,245	(42,989)	248,996
-	-	343,918
65,245	-	65,245
-	20,495	20,495
-	(63,484)	(180,662)
65,245	(42,989)	248,996

City of Carson
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2011

	<u>Water</u>	<u>Sewer</u>	<u>Garbage</u>	<u>Total</u>
Operating receipts:				
Charges for service	\$ 120,447	160,294	63,393	344,134
Special assessment	1,540	194	147	1,881
Miscellaneous	18,347	776	17,403	36,526
Total operating receipts	<u>140,334</u>	<u>161,264</u>	<u>80,943</u>	<u>382,541</u>
Operating disbursements:				
Business type activities	<u>172,811</u>	<u>93,869</u>	<u>56,819</u>	<u>323,499</u>
Total operating disbursements	<u>172,811</u>	<u>93,869</u>	<u>56,819</u>	<u>323,499</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	(32,477)	67,395	24,124	59,042
Non-operating disbursements:				
Intergovernmental	49,717	-	-	49,717
Capital projects	(54,950)	-	-	(54,950)
Debt service	(13,617)	(69,950)	-	(83,567)
Total non-operating disbursements	<u>(18,850)</u>	<u>(69,950)</u>	<u>-</u>	<u>(88,800)</u>
Net change in cash balances	(51,327)	(2,555)	24,124	(29,758)
Cash balances beginning of year	<u>138,024</u>	<u>(123,738)</u>	<u>(64,389)</u>	<u>(50,103)</u>
Cash balances end of year	\$ <u>86,697</u>	<u>(126,293)</u>	<u>(40,265)</u>	<u>(79,861)</u>
Cash Basis Fund Balances				
Unrestricted	\$ <u>86,697</u>	<u>(126,293)</u>	<u>(40,265)</u>	<u>(79,861)</u>

See notes to financial statements.

City of Carson
Notes to Financial Statements
June 30, 2011

NOTE (1) Summary of Significant Accounting Policies

The City of Carson is a political subdivision of the State of Iowa located in Pottawattamie County. It was first incorporated in 1881 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer and garbage utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Carson has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Pottawattamie County Assessor's Conference Board, Pottawattamie County Emergency Management Commission and the Iowa Waste Systems Association.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

City of Carson
Notes to Financial Statements
June 30, 2011

NOTE (1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation - Continued

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Local Option Sales Tax Fund is used to account for the collection of local option sales taxes to be spent for property tax relief per referendum.

City of Carson
Notes to Financial Statements
June 30, 2011

NOTE (1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation - Continued

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's sanitary sewer system.

The Garbage Fund accounts for the operation of the City's solid waste disposal.

C. Measurement Focus and Basis of Accounting

The City of Carson maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

City of Carson
Notes to Financial Statements
June 30, 2011

NOTE (1) Summary of Significant Accounting Policies - Continued

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

F. Property Tax Calendar

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2009, to compute the amounts which became liens on property on July 1, 2010. These taxes were due and payable in two installments on September 30, 2010 and March 31, 2011, at the Pottawattamie County Treasurer's Office. These taxes are recognized as income to the City when they are received from the county.

NOTE (2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

City of Carson
Notes to Financial Statements
June 30, 2011

NOTE (2) Cash and Pooled Investments - Continued

The City's cash, which consists of cash in bank and certificates of deposit, totaled \$169,135.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board (GASB) Statement No. 3, as amended by Statement No. 40.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

NOTE (3) Bonds and Notes Payable

Annual debt service requirements to maturity of general obligation bonds and revenue notes are as follows:

Year Ending June 30,	General Obligation Bonds Principal	Urban Renewal Tax Increment Financing Revenue Bonds Principal	Revenue Bonds Principal	Total Principal
2012	\$ 117,000	55,000	56,000	228,000
2013	111,000	15,000	58,000	184,000
2014	102,000	20,000	59,000	181,000
2015	80,000	20,000	61,000	161,000
2016	85,000	20,000	68,000	173,000
2017-2022	15,000	-	302,000	317,000
2023-2026	-	-	283,000	283,000
2027	-	-	4,000	4,000
Total	\$ 510,000	130,000	891,000	1,531,000

Year Ending June 30,	General Obligation Bonds Interest	Urban Renewal Tax Increment Financing Revenue Bonds Interest	Revenue Bonds Interest	Total Interest
2012	\$ 22,847	5,640	27,828	56,315
2013	17,426	3,038	26,017	46,481
2014	12,461	2,460	24,138	39,059
2015	7,558	1,660	22,217	31,435
2016	4,240	840	20,228	25,308
2017-2022	675	-	69,982	70,657
2023-2026	-	-	23,640	23,640
2027	-	-	120	120
Total	\$ 65,207	13,638	214,170	293,015

City of Carson
Notes to Financial Statements
June 30, 2011

NOTE (3) Bonds and Notes Payable - Continued

Interest costs paid during the year ended June 30, 2011 totaled \$69,548.

The Code of Iowa requires that principal and interest on general obligation bonds be paid from the Debt Service Fund.

The City has a general obligation debt limit of approximately \$1,900,000 which was not exceeded during the year ended June 30, 2011.

Urban Renewal Tax increment Financing Revenue Bonds

The City issued \$355,000 in November 2001, and \$165,000 in August 2005, for the purpose of defraying a portion of the costs of carrying out urban renewal projects, including street improvements for the Wilbur and Tibbles subdivisions. The bonds are payable solely from the TIF receipts generated by increased property values in the City's TIF district and credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100 percent of the debt service requirements over the life of the bonds. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitations of the City. Total principal and interest remaining on the bonds is \$143,638, payable through June 2016. For the current year, total bond and interest payments and total TIF receipts were \$63,188 and \$268,517, respectively.

Revenue Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$100,000 in water revenue notes issued in November 2007. Proceeds from the notes provided financing for the construction of water main extensions. The notes are payable solely from water customer net receipts and are payable through 2017. Annual principal and interest payments on the notes are expected to require less than 100 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$82,300. For the current year, principal and interest paid and total customer net receipts were \$13,618 and \$(32,477), respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$750,000 in sewer revenue notes issued in September 2004, \$250,000 in sewer revenue notes issued in October 2006, and \$59,000 in sewer revenue notes issued in June 2007. Proceeds from the notes provided financing for the construction of improvements to the sewer treatment plant. The notes are payable solely from sewer customer net receipts and are payable through 2027. Annual principal and interest payments on the notes are expected to require less than 100 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$1,022,870. For the current year, principal and interest paid and total customer net receipts were \$69,950 and \$67,395, respectively.

City of Carson
Notes to Financial Statements
June 30, 2011

NOTE (3) Bonds and Notes Payable - Continued

The resolutions providing for the issuance of the revenue notes include the following provisions:

- a) The notes will only be redeemed from the future earnings of the enterprise activity.
- b) Sewer revenue charges must be established at a level which produces and maintains net receipts at a level no less than 110% of principal and interest falling due in the same year.

Sewer revenue charges have been insufficient to meet the debt resolution provision.

NOTE (4) Lease Agreement

The City leases a copy machine under an operating lease agreement. Rent expense for the year ended June 30, 2011 was \$1,320. The future minimum required minimum lease payments are as follows:

Year ending June 30,	Amount
2012	\$ 1,440
2013	<u>1,200</u>
	<u>\$ 2,640</u>

NOTE (5) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.50% of their annual covered salary and the City is required to contribute 6.95% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$14,166, \$12,218, and \$10,305 respectively, equal to the required contributions for each year.

City of Carson
Notes to Financial Statements
June 30, 2011

NOTE (6) Other Postemployment Benefits (OPEB)

Plan description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 2 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with United Healthcare. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$679 for single coverage and \$1,175 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2011, there were no plan members eligible for benefits.

NOTE (7) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and comp time hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and comp time termination payments payable to employees at June 30, 2011, primarily relating to the General Fund is \$264. This liability is computed on rates of pay effective as of June 30, 2011.

NOTE (8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Local Option Sales Tax	\$ 85,166
Debt Service	General Special Revenue: Urban Renewal Tax Increment	4,000 137,843 141,843
Capital Project	Special Revenue: Urban Renewal Tax Increment	29,571
		\$ 252,580

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse resources.

City of Carson
Notes to Financial Statements
June 30, 2011

NOTE (9) Related Party Transactions

The City had business transactions between the City and relatives of City officials totaling \$27,746 during the year ended June 30, 2011.

NOTE (10) Risk Management

The City is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE (11) Deficit Fund Balances

At June 30, 2011, the City had the following deficit fund balances:

General Fund	\$ 113,353
Special Revenue, Road Use Fund	3,825
Capital Projects	63,484
Proprietary, Sewer Fund	126,293
Proprietary, Garbage Fund	40,265
	<hr/>
Total	\$ 347,220

The General Fund has had a deficit balance for the past five years. Property tax collections should improve when tax increment financing taxes are reduced. The Capital Projects deficits will be eliminated upon receipts of grants and other financing sources. The Garbage and Sewer Fund deficits will be eliminated by fees for services.

NOTE (12) Urban Renewal

Carson Urban Renewal Area

On September 13, 1999, the City established the Carson Urban Renewal Area which included the entire area within the corporate boundaries of the City except for four agricultural properties. The objectives of the plan included the stimulation of new residential development, the efficient construction of street, water, storm sewer and sanitary sewer improvements to support housing development and an increase in affordable housing units in the City. The area principally served by the plan is the Wilbur Subdivision.

On September 12, 2005, the City adopted Amendment No. 1 to the Carson Urban Renewal Area. The amendment determined an area of the City to be blighted and provided for its rehabilitation, conservation, redevelopment, and development as in the interest of the public health, safety or welfare of the residents of the City.

City of Carson
Notes to Financial Statements
June 30, 2011

NOTE (12) Urban Renewal - Continued

Lewis/Lariviere Urban Renewal Area

In June 2004, the City established the Lewis/Lariviere Urban Renewal Area and designated the area as an economic development district. In December 2004, the area was expanded to include a parcel of the commercial district by the adoption of Amendment No. 1. The objectives of the plan are commercial and residential development south of Highway 92.

Tibbles Urban Renewal Area

On April 11, 2005, the City established the Tibbles Urban Renewal Area and designated the Tibbles Subdivision as an economic development district to promote new residential development. The Tibbles subdivision is located west of the Nishnabotna River.

NOTE (13) Commitments

Billing Services Agreement

On February 19, 2007, the City renewed an agreement with Physician's Claims Company, Inc. The Billing Service provides medical billings for the ambulance calls for a monthly fee of 10% of the gross amount collected on the City's behalf during the preceding month, or 30% of the gross amount collected on any aged accounts. The initial term of the agreement was for two years and automatically will renew for successive one-year terms. Either party may terminate with 30 days notice.

Garbage Collection Service Agreement

On September 14, 2009, the City renewed an agreement with M & K Mills Tree Service, Inc. for the collection of garbage, rubbish, and recyclables. The contract runs from September 14, 2009 to December 31, 2014. The contracted amount per residential unit for up to four 32-gallon containers per week is \$9.00 per month. The contracted amount for commercial, industrial, and institutional premises, per yard, per dump is \$5.00, and \$.75 per unit per month for recyclables. The City paid \$42,653 on the contract during fiscal year 2011.

Law Enforcement Service Contract

The City renewed its Law Enforcement Services Contract with Pottawattamie County for the services of the Pottawattamie County Sheriff's Department as of July 1, 2011. The contract is payable in four installments of \$2,923 on July 1 and October 1, 2011, and January 1 and April 1, 2012.

City of Carson
Notes to Financial Statements
June 30, 2011

NOTE (14) Construction Commitments

The City had the following construction commitments at June 30, 2011:

	Estimated Contract Amount	Paid to Date	Remaining Commitment	Retainage Payable
WWTP E Coli Disinfection Engineer	\$ 74,300	48,896	25,404	-
Street Improvement Construction	203,261	-	203,261	-
			<u>\$ 228,665</u>	<u>-</u>

NOTE (15) Franchise Agreement

On August 13, 2007, the City passed an ordinance granting to Mid-American Energy Company, its successors and assignees, the right and franchise to acquire, construct, erect, maintain, and operate a natural gas system in the City of Carson, and to furnish and sell natural gas to the City and its inhabitants for a period of twenty-five years. The City also passed an ordinance granting Mid-American Energy Company, its successors and assignees, the right and franchise to acquire, construct, erect, maintain, and operate a system for the transmission and distribution of electric energy and communications signals to the City and its inhabitants for a period of twenty-five years. The franchises will expire in 2032.

NOTE (16) Contingent Liability

The City was notified in September 2010, by Iowa Waste Systems Association that the City is required to have all their solid waste hauled to the IWS Site per its 28 E agreement. The Association has proposed a 25 year contract which the City is considering. Currently, the City has a contract with a hauler who uses another landfill. The City has taken the position of waiting to see what the other communities are going to do about the matter. The economic impact of the City's course of action is uncertain.

NOTE (17) Subsequent Event

In July 2011, the City issued \$280,000 in general obligation capital loan notes for street construction projects, and \$181,000 in general capital loan notes for fire and street equipment.

In August 2011, the City approved a construction contract for \$170,248 for a state mandated wastewater system Ecoli disinfection project.

Required Supplementary Information

City of Carson
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances -
 Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds
 Required Supplementary Information
 Year ended June 30, 2011

	Governmental Funds Actual	Proprietary Funds Actual	Actual
Receipts			
Property tax	\$ 210,116	-	210,116
Tax increment financing collections	268,517	-	268,517
Other city tax	92,151	-	92,151
Licenses and permits	776	-	776
Use of money and property	7,361	-	7,361
Intergovernmental	92,521	49,717	142,238
Charges for service	32,914	344,134	377,048
Special assessments	-	1,881	1,881
Miscellaneous	42,370	36,526	78,896
Total receipts	<u>746,726</u>	<u>432,258</u>	<u>1,178,984</u>
Disbursements			
Public safety	125,205	-	125,205
Public works	74,126	-	74,126
Culture and recreation	69,682	-	69,682
Community and economic development	204,974	-	204,974
General government	53,097	-	53,097
Debt service	102,441	-	102,441
Capital projects	44,481	-	44,481
Business type activities	-	462,016	462,016
Total disbursements	<u>674,006</u>	<u>462,016</u>	<u>1,136,022</u>
Excess (deficiency) of receipts over (under) disbursements	72,720	(29,758)	42,962
Other financing sources, net	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	72,720	(29,758)	42,962
Balances beginning of year	<u>176,276</u>	<u>(50,103)</u>	<u>126,173</u>
Balances end of year	<u>\$ 248,996</u>	<u>(79,861)</u>	<u>169,135</u>

See accompanying independent auditors' report.

Original Budgeted Amounts	Final Budgeted Amounts	Budget to Actual Variance
205,482	205,482	4,634
260,666	260,666	7,851
76,681	76,681	15,470
2,275	3,425	(2,649)
28,375	39,000	(31,639)
625,623	254,215	(111,977)
432,543	461,271	(84,223)
-	-	1,881
7,800	7,800	71,096
<u>1,639,445</u>	<u>1,308,540</u>	<u>(129,556)</u>
124,081	132,298	7,093
64,561	76,162	2,036
59,960	88,191	18,509
200,145	225,753	20,779
54,195	53,272	175
118,160	102,828	387
537,564	76,400	31,919
404,879	480,499	18,483
<u>1,563,545</u>	<u>1,235,403</u>	<u>99,381</u>
75,900	73,137	(30,175)
<u>-</u>	<u>-</u>	<u>-</u>
75,900	73,137	(30,175)
<u>95,522</u>	<u>95,522</u>	<u>30,651</u>
<u>171,422</u>	<u>168,659</u>	<u>476</u>

City of Carson
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2011

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon major classes of disbursements known as functions, not by fund or fund type. These functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments decreased budgeted disbursements by \$328,142. The budget amendment is reflected in the final budgeted amounts.

Other Supplementary Information

City of Carson
 Schedule of Cash Receipts, Disbursements and Changes in
 Cash Balances – Nonmajor Governmental Funds
 As of and for the year ended June 30, 2011

	Special Revenue			Capital Projects	Total
	Employee Benefits	Insurance	FEMA		
Receipts:					
Property tax	\$ 6,780	9,971	-	-	16,751
Other City tax	313	460	-	-	773
Intergovernmental	-	-	6,404	-	6,404
	<u>7,093</u>	<u>10,431</u>	<u>6,404</u>	<u>-</u>	<u>23,928</u>
Disbursements:					
Operating:					
General government	6,859	10,000	-	-	16,859
Capital projects	-	-	-	44,481	44,481
	<u>6,859</u>	<u>10,000</u>	<u>-</u>	<u>44,481</u>	<u>61,340</u>
Excess (deficiency) of receipts over (under) disbursements	234	431	6,404	(44,481)	(37,412)
Other financing uses:					
Operating transfers in	-	-	-	29,571	29,571
Net change in cash balances	234	431	6,404	(14,910)	(7,841)
Cash balances beginning of year	<u>3,282</u>	<u>-</u>	<u>10,144</u>	<u>(48,574)</u>	<u>(35,148)</u>
Cash balances end of year	<u>\$ 3,516</u>	<u>431</u>	<u>16,548</u>	<u>(63,484)</u>	<u>(42,989)</u>
Cash Basis Fund Balances					
Restricted for other purposes	\$ 3,516	431	16,548	-	20,495
Unassigned	-	-	-	(63,484)	(63,484)
Total cash basis fund balances	<u>\$ 3,516</u>	<u>431</u>	<u>16,548</u>	<u>(63,484)</u>	<u>(42,989)</u>

See accompanying independent auditors' report.

City of Carson
Schedule of Indebtedness
Year ended June 30, 2011

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds and notes:			
Ambulance	Sep 1, 2002	4.70 - 4.80 %	\$ 140,000
Fire truck	Dec 11, 2003	6.10 %	150,000
Community Center	Mar 29, 2006	5.75 %	375,000
Street/Storm Sewer	Nov 15, 2006	4.15 - 4.50 %	135,000
Essential Corporate Purpose	Nov 30, 2007	4.10 - 4.75 %	495,000
Water improvement	Jul 1, 2009	3.80 %	82,000
Urban renewal tax increment financing (TIF) revenue bonds:			
Wilbur/TIF Subdivision	Nov 1, 2001	5.10 %	\$ 355,000
Tibbles/TIF Subdivision	Aug 1, 2005	3.75 - 4.20 %	165,000
Revenue notes:			
Sewer	Sep 29, 2004	3.00 %	\$ 750,000
Sewer	Oct 5, 2006	3.00 %	250,000
Sewer	Jun 28, 2007	3.00 %	59,000
Water	Nov 30, 2007	4.30 - 4.75 %	100,000

See accompanying independent auditors' report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
45,000	-	15,000	30,000	2,115	-
30,140	-	18,140	12,000	1,461	-
85,000	-	85,000	-	4,678	-
105,000	-	15,000	90,000	4,508	-
370,000	-	55,000	315,000	16,643	-
82,000	-	19,000	63,000	2,387	-
<u>717,140</u>	<u>-</u>	<u>207,140</u>	<u>510,000</u>	<u>31,792</u>	<u>-</u>
80,000	-	40,000	40,000	4,040	-
105,000	-	15,000	90,000	4,148	-
<u>185,000</u>	<u>-</u>	<u>55,000</u>	<u>130,000</u>	<u>8,188</u>	<u>-</u>
601,000	-	32,000	569,000	18,030	-
211,000	-	10,000	201,000	6,330	-
53,000	-	2,000	51,000	1,590	-
80,000	-	10,000	70,000	3,618	-
<u>945,000</u>	<u>-</u>	<u>54,000</u>	<u>891,000</u>	<u>29,568</u>	<u>-</u>

City of Carson
Bond and Note Maturities
June 30, 2011

Year Ending June 30,	General Obligation					
	Ambulance Issued Sept 1, 2002		Fire Truck Issued Dec 11, 2003		Street/Storm Sewer Issued Nov 15, 2006	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2012	4.70 %	\$ 15,000	6.10 %	\$ 12,000	4.15 %	\$ 15,000
2013	4.80 %	15,000	-	-	4.25 %	15,000
2014	-	-	-	-	4.30 %	15,000
2015	-	-	-	-	4.35 %	15,000
2016	-	-	-	-	4.40 %	15,000
2017	-	-	-	-	4.50 %	15,000
		<u>\$ 30,000</u>		<u>\$ 12,000</u>		<u>\$ 90,000</u>

Year Ending June 30,	Urban Renewal Tax Increment (TIF) Revenue Bonds				
	Wilbur TIF Subdivision Issued Nov 1, 2001		Tibbles TIF Subdivision Issued Aug 1, 2005		Total
	Interest Rates	Amount	Interest Rates	Amount	
2012	5.10 %	\$ 40,000	3.75 %	\$ 15,000	\$ 55,000
2013	-	-	3.85 %	15,000	15,000
2014	-	-	4.00 %	20,000	20,000
2015	-	-	4.10 %	20,000	20,000
2016	-	-	4.20 %	20,000	20,000
		<u>\$ 40,000</u>		<u>\$ 90,000</u>	<u>\$ 130,000</u>

See accompanying independent auditors' report.

Bonds

Essential Corporate Purpose Issued Nov 30, 2007			Water Improvement Issued Nov 30, 2007		
Interest Rates		Amount	Interest Rates	Amount	Total
4.70 %	\$	55,000	3.80 %	\$ 20,000	\$ 117,000
4.70 %		60,000	3.80 %	21,000	111,000
4.70 %		65,000	3.80 %	22,000	102,000
4.10 %		65,000	-	-	80,000
4.15 %		70,000	-	-	85,000
-		-	-	-	15,000
	\$	<u>315,000</u>		\$ <u>63,000</u>	\$ <u>510,000</u>

Revenue Notes

Year Ending June 30,	Sewer Issued Sept 29, 2004		Sewer Issued Oct 5, 2006		Sewer Issued Jun 28, 2007		Water Issued Nov 30, 2007		Total
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2012	3.00 %	\$ 33,000	3.00 %	\$ 11,000	3.00 %	\$ 2,000	4.30 %	\$ 10,000	\$ 56,000
2013	3.00 %	34,000	3.00 %	11,000	3.00 %	3,000	4.40 %	10,000	58,000
2014	3.00 %	35,000	3.00 %	11,000	3.00 %	3,000	4.50 %	10,000	59,000
2015	3.00 %	36,000	3.00 %	12,000	3.00 %	3,000	4.60 %	10,000	61,000
2016	3.00 %	38,000	3.00 %	12,000	3.00 %	3,000	4.70 %	15,000	68,000
2017	3.00 %	39,000	3.00 %	13,000	3.00 %	3,000	4.75 %	15,000	70,000
2018	3.00 %	40,000	3.00 %	13,000	3.00 %	3,000	-	-	56,000
2019	3.00 %	41,000	3.00 %	13,000	3.00 %	3,000	-	-	57,000
2020	3.00 %	42,000	3.00 %	14,000	3.00 %	3,000	-	-	59,000
2021	3.00 %	43,000	3.00 %	14,000	3.00 %	3,000	-	-	60,000
2022	3.00 %	45,000	3.00 %	15,000	3.00 %	3,000	-	-	63,000
2023	3.00 %	46,000	3.00 %	15,000	3.00 %	3,000	-	-	64,000
2024	3.00 %	48,000	3.00 %	15,000	3.00 %	4,000	-	-	67,000
2025	3.00 %	49,000	3.00 %	16,000	3.00 %	4,000	-	-	69,000
2026	-	-	3.00 %	16,000	3.00 %	4,000	-	-	20,000
2027	-	-	-	-	3.00 %	4,000	-	-	4,000
		\$ <u>569,000</u>		\$ <u>201,000</u>		\$ <u>51,000</u>		\$ <u>70,000</u>	\$ <u>891,000</u>

City of Carson
Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds
For the Last Seven Years

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Receipts			
Property tax	\$ 210,116	145,189	200,807
Tax increment financing collections	268,517	442,782	137,874
Other city tax	92,151	80,103	88,806
Licenses and permits	776	1,651	1,471
Use of money and property	7,361	11,539	8,635
Intergovernmental	92,521	95,813	87,028
Charges for service	32,914	43,739	50,893
Special assessments	-	685	368
Miscellaneous	<u>42,370</u>	<u>11,444</u>	<u>92,952</u>
Total	\$ <u>746,726</u>	<u>832,945</u>	<u>668,834</u>
Disbursements			
Operating:			
Public safety	\$ 125,205	142,444	108,359
Public works	74,126	75,846	58,435
Culture and recreation	69,682	59,873	56,821
Community and economic development	204,974	53,636	132,414
General government	53,097	43,519	55,949
Debt service	102,441	287,139	283,035
Capital projects	<u>44,481</u>	<u>7,087</u>	<u>28,533</u>
Total	\$ <u>674,006</u>	<u>669,544</u>	<u>723,546</u>

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
146,409	149,263	112,198	115,291
256,035	214,341	237,576	222,747
69,871	77,705	83,583	67,769
2,848	1,987	1,852	2,666
13,888	20,084	5,695	862
179,779	597,304	968,980	154,309
35,074	56,147	22,888	12,962
-	-	-	-
<u>26,444</u>	<u>348,173</u>	<u>84,182</u>	<u>59,867</u>
<u>730,348</u>	<u>1,465,004</u>	<u>1,516,954</u>	<u>636,473</u>
113,791	114,071	129,467	116,961
70,266	70,489	78,928	51,922
59,434	20,793	30,897	32,607
79,866	205,412	205,902	159,736
46,178	58,873	84,268	60,152
627,966	74,340	57,224	91,263
<u>461,501</u>	<u>2,230,688</u>	<u>1,751,328</u>	<u>429,624</u>
<u>1,459,002</u>	<u>2,774,666</u>	<u>2,338,014</u>	<u>942,265</u>

See accompanying independent auditors' report.

City of Carson



Marilyn Schroer, CPA
Diane McGrain, CPA
Jim Menard, CPA

September 30, 2011

Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Carson, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated September 30, 2011. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Carson's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of City of Carson's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Carson's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness.

Continued...

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City of Carson
Independent Auditors' Report on
Internal Control and Compliance and Other Matters

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Carson's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as items I-A-11 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Carson's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Carson's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit City of Carson's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Carson and other parties to whom the City of Carson may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Carson during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Schroer & Associates, P.C.

City of Carson
Schedule of Findings
Year Ended June 30, 2011

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-11 Segregation of Duties

Comment – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits, posting of the cash receipts to the cash receipts journal, reconciling and reporting, are at times all done by the same person.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – The City Treasurer does a monthly review of the bank statements and bank reconciliations.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

City of Carson
Schedule of Findings
Year Ended June 30, 2011

Part II: Other Findings Related to Statutory Reporting:

II-A-11 Certified Budget

Disbursements during the year ended June 30, 2011 did not exceed the amended budgeted amounts.

II-B-11 Questionable Disbursements

We noted no disbursements for parties, banquets or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

II-C-11 Travel Expense

No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-11 Business Transactions

Business transactions between the City and City officials, employees or relatives of City officials are detailed as follows:

Rick Taylor, Brother of Mayor		
Owner of Davis-Taylor Insurance	Insurance per bid	\$ 26,686
James Taylor, Son of Mayor	Website service	<u>1,060</u>
		\$ <u>27,746</u>

The transaction with the Mayor's son does not appear to represent a conflict of interest.

The transaction with the brother of the Mayor does not appear to represent a conflict of interest since it was entered into through a competitive bidding in accordance with Chapter 362.5(4) of the Code of Iowa.

II-E-11 Bond Coverage

Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-11 Council Minutes

No transactions were found that we believe should have been approved in the Council minutes but were not.

City of Carson
Schedule of Findings
Year Ended June 30, 2011

Part II: Other Findings Related to Statutory Reporting - Continued:

II-G-11 Deposits and Investments

We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

II-H-11 Revenue Note

Comment – The City has a deficit fund balance in the Sewer Fund which violates the provision of the sewer revenue bond resolution.

Recommendation – The City should establish rates which will generate user fees sufficient to service the revenue debt and the operations of the City's sanitary sewer system.

Response – We have increased our fees during the year and will monitor the fund balances.

Conclusion – Response acknowledged. The City may need to consider an additional increase in the user fees.

II-I-11 Financial Condition

Comment – At June 30, 2011, the City had the following deficit fund balances:

General Fund	\$ 113,353
Special Revenue, Road Use Fund	3,825
Capital Projects	63,484
Proprietary, Sewer Fund	126,293
Proprietary, Garbage Fund	40,265
Total	\$ <u>347,220</u>

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial condition. User fees for sewer and garbage should be adjusted to service operations and revenue debt. The City should control spending within corresponding revenue sources.

Response – We will monitor these funds closely and have made increases in sewer and garbage fees.

Conclusion – Response acknowledged. The City may need to consider an additional increase in the user fees.

City of Carson
Schedule of Findings
Year Ended June 30, 2011

Part II: Other Findings Related to Statutory Reporting - Continued:

II-J-11 Outstanding Checks

Comment – Unclaimed property per Chapter 556.1(10) of the Code of Iowa has been reported to the State Treasurer as required.

Recommendation – The City should comply with Chapter 556.1(10) of the Code of Iowa.

Response – We will do this.

Conclusion – Response accepted.